

FSC-133-B		8/3/98	
SUBJECT: Price Increase Protection - Third Quarter PRP Discounting			
DISTRIBUTION:			
<u>X</u> AVP	<u>X</u> KAM	<u>X</u> DM	
<u>X</u> RSM	<u>X</u> AM	<u>X</u> RM	
<u>X</u> RBM	<u>X</u> AE	_____ Sales Rep	
<u>X</u> ROM		_____ Retail Rep	

Objective: Communicate Third Quarter PRP pricing strategy as it relates to the recent price increase and competition's price protection plans.

Purpose: Ensure Field Sales understands the strategy and executes according to plans.

You were notified today of a price increase effective immediately (FSC J-34-J, August 3, 1998). Due to the price increase and competition's price protection plans, you should follow the guidelines for PRP discounting as outlined below:

- We should match competition as it relates to their price protection program regarding rate and time frames.

Example: Competition adds an additional .60 (price increase) over 5 week time period. RJR meets same amount and same time period.

- State PRP discount rates and timeframes remain the same as communicated in June (refer to FSC-92-B).

IMPORTANT: We should only price protect these values during same time period competition is doing so.

- Reporting procedures, POS pricing materials, and other implementation details will be communicated to you later this week.

Program Contact: Your Area Manager of Operations

R. J. REYNOLDS TOBACCO COMPANY

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